

FISCAL NOTE

Bill #: HB 572

Title: Adjust and redistribute money derived from natural gas from coal beds

Primary Sponsor: Keith Bales

Status: Senate 3rd Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Revenue:		
State Special Revenue		
Coal bed methane protection account	\$0	\$400,000
Orphan share account	\$0	\$(200,000)
Reclamation and development grants acct	\$0	\$(200,000)
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill would become effective at the beginning of the fiscal year after the balance in the Resource Indemnity Trust reaches \$100 million. That is projected to occur during fiscal 2002. Thus, this bill would become effective July 1, 2002.
2. This bill would create a new special revenue account called the coal bed methane protection account. Beginning in fiscal 2003, this bill would allocate funds from the oil and gas tax to this account.
3. This bill would amend MCA15-36-324(9)(c), (10)(b), and (11)(c) to allocate \$400,000 to the coal bed methane protection account. This would reduce funds going to the orphan share account by \$200,000 and would reduce funds going to the reclamation and development grants account by \$200,000.
4. This bill would not have significant administrative impacts on the Department of Revenue.

(continued)

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
State Special Revenue (02)		
coal bed methane protection account	\$0	\$400,000
orphan share account	\$0	\$(200,000)
reclamation and development grants acct	\$0	\$(200,000)

Net Impact to Fund Balance (Revenue minus Expenditure):

State Special Revenue (02)		
coal bed methane protection account	\$0	\$400,000
orphan share account	\$0	\$(200,000)
reclamation and development grants acct	\$0	\$(200,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The Coal Bed Methane Restoration Fund will be funded through a \$400,000 annual allocation of oil and gas taxes for 10 years. This fund will provide a source of revenue for counties impacted by coal bed methane development. The \$400,000 would otherwise be available for reclamation and development grants and to pay any “orphaned share” of remediation projects. This will affect counties that would have otherwise been funded through these programs. If coal bed methane development occurs as suggested by testimony for HB 572, oil and gas tax revenues will increase and offset the diversion of funds to the new coal bed methane protection fund. If the development does not take place, then a future Legislature could reallocate these funds for other purposes

LONG-RANGE IMPACTS:

Deposits to the coal bed methane protection account would cease after fiscal 2011. Funds going to the coal bed methane protection account during fiscal years 2003 through 2011 would go to the orphan share and reclamation and development grants accounts beginning in fiscal 2012.

TECHNICAL NOTES:

1. Section 8 coordinating HB572 with HB642 would eliminate the clarification in HB642 as it applies to FY2001 and FY2002. This would result in \$300,000 additional distributed to the groundwater program and \$150,000 reductions in Orphan Share and Reclamation and Development distributions in FY2001 and FY2002. It appears the intent is only to coordinate the effects of these two bills in FY2003 after the Resource Indemnity Trust exceeds \$100 million.